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CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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COUNTRY	East Germany	REPORT	
SUBJECT	Terminology Used in Economic Reporting	DATE DISTR.	28 October 1954
DATE OF INFO.		NO. OF PAGES	3
PLACE ACQUIRED		REQUIREMENT NO.	RD
		REFERENCES	

25X1

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The following terminology is used in reports on the East German economic field:

1. Rate of turnover figure (Umschlagszahl):

This figure is established in the Economic Plan in order to determine the rate of turnover of the planned stock on hand at an enterprise. The quantity of planned stock on hand is dependent on the number of days for which commodities may be retained as stock according to the Economic Plan.

In the capitalistic economy, the rate of turnover is determined on the basis of the average value of stock on hand and the value of total annual turnover, as follows:

Average value of stock on hand.....	30,000 DM	25X1
Value of total annual turnover.....	360,000 DM	
Rate of turnover figure.....	12	

On the other hand, in a Soviet economy, the rate of turnover figure is determined by dividing the average value of stock on hand into the planned or the actual costs incurred by the enterprise in the fulfillment of its production plan. For example:

Average value of stock on hand.....	50,000 DM
Planned cost, according to financial plan.....	600,000 DM
Rate of turnover figure.....	12

The lower the stock on hand, the higher is the rate of turnover figure. It is the aim to fulfill the production plan with the lowest possible stock on hand. In this way, an enterprise can achieve a high rate of turnover figure.

SECRET

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(NOTE: Washington distribution indicated by "X"; Field distribution by "#")

25X1

SECRET

- 2 -

2. Comparable and noncomparable production:(Vergleichbare und nicht-vergleichbare Produktion):

Comparable production is production in which an enterprise engaged during the preceding year. For example, if an enterprise produced pig iron in 1953, but pig iron and steel in 1954, then pig iron is considered comparable production and steel noncomparable production. This differentiation is made so that lowered operating costs may be determined correctly. By definition, lowered operating cost statistics have relevance only for comparable production. The concept of comparable production used on the enterprise level differs from that used on the level of the State Planning Commission. The latter agency considers as noncomparable production only those processes which were not at all carried on in East Germany in the preceding year.

3. Taxes (Steuern):

- a. Business tax (Gewerbesteuer) - was computed originally on the basis of the so-called business capital and business earning. Since the amount of the taxes paid, which is determined by earnings, must be added to costs, considerable difficulties arose in the fulfillment of the profit plan and in the computation of lowered operating costs. (Increased profits, as a result of lowered operating costs, resulted in turn in higher operating costs.) Because of these difficulties, the business tax, to which the former contribution to the VVB (Administration of People's Owned Enterprises) was added, has been computed since 1953 on the basis of the turnover, that is, as a "secondary turnover tax" (sekundaere Umsatzsteuer). The tax rate is dependent on the earnings of the individual enterprise and is determined by the Tax Administration only once (probably annually).
- b. Turnover tax (Umsatzsteuer) - is computed at a uniform rate on the basis of turnover at the enterprise's sales prices.
- c. Corporation tax (Koerperschaftssteuer) is a uniform 65 percent of gross earnings for all VEBs. (The remaining earnings are net profits.)

The laws authorizing all three of these taxes contain a great many exceptions which stem, for the most part, from the former capitalistic tax laws. These exceptions are a great bother to the responsible officials of the enterprises, although it makes no difference in the end whether the public treasury obtains the accumulated proceeds of an enterprise in the form of a business tax, a turnover tax, a corporation tax, or net profit. It is logical, therefore, that all the accumulated proceeds of an enterprise should be combined into a single fund. This fund would also include the budget excises and the consumption taxes, which are likewise levied by virtue of elaborately drawn tax laws. This fund would then be transmitted to the public treasury in two forms, the production tax and the net profit, as it is done in the USSR. Such a combination of all payments to the public treasury would entail not only an easing of the work of the responsible officials of the enterprise, but would also provide a simpler way of computing these payments and permit use of a simpler bookkeeping system in the enterprise. It would also simplify the control of currency circulation by the Deutsche Notenbank; the keeping of accounts by the Deutsche Notenbank, the Tax Administration and the public treasury.

- d. The production tax (Produktionsabgabe) has been introduced in a few branches of the foodstuffs industry.

4. Current Assets (Umlaufmittel):

There are two types of assets made available to enterprises: fixed assets (Grundmittel) and current assets (Umlaufmittel). Fixed assets consist of such capital equipment as real estate, buildings, machinery, and machine-type installations. Current assets consist of stockpiles of raw materials, auxiliary materials, tools and other means of production with a high rate of depreciation, and similar materials which the enterprise needs to carry on production. Current assets further include short-term stockpiles of semi-finished and finished products, whose size varies, depending on the nature of

SECRET

- 3 -

the enterprise. Fixed assets are financed exclusively by the public treasury, while the current assets are financed in part by the public treasury and in part through credits of the Deutsche Notenbank.

5. Constant Values (Messwerte):

Constant values are values of individual commodities based on 1936 sales prices. The constant values have been devised to permit the comparison of production over an extended period of time, on the basis of never-changing values. Enterprises receive their production orders on the basis of these constant values, whenever production orders cannot be placed in terms of quantitative measures.

- a. The fulfillment of the production plan of a plant at constant values often does not reflect the actual output of the enterprise.
- b. Production orders are given in constant values for the quantity of products or groups of products which are actually to be produced in the enterprise, regardless of whether the products are to be sold or further processed by the same enterprise.
- c. Since the constant values and sales prices differ from each other in varying degrees for each product in an assortment, the enterprise may figure out two widely varying percentages of plan fulfillment.

25X1

SECRET